



July 21, 2004

BY OVERNIGHT MAIL

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station, 2nd floor
Boston, MA 02110

Re: D.T.E. 99-60 - Fitchburg Gas and Electric Light Company, Default
Service Tariff Filing M.D.T.E. No. 113 for September 1, 2004

Bid Evaluation Report

Dear Ms. Cottrell:

Fitchburg Gas and Electric Light Company d/b/a/ Unitil ("Unitil") hereby submits to the Department of Telecommunications and Energy ("Department") the results of its competitive solicitation for Default Service supply for the period beginning September 1, 2004, and its approach to compliance with the Renewable Portfolio Standards ("RPS") requirements. Also enclosed please find an original and nine (9) copies of Unitil's Motion for Protective Order. Under separate cover, Unitil is also submitting today new tariffs reflecting retail rate changes resulting from this new Default Service supply.

As discussed in more detail in the attached Default Service Bid Evaluation Report, the RFP was issued to procure supply of Default Service for its regular and large general service and outdoor lighting customers on a quarterly basis as required by the Department's orders in D.T.E.02-40-C. As in its recent past solicitations, Unitil did not request that interested suppliers include along with their bids the provision of Renewable Energy Certificates for compliance with the Renewable Portfolio Standards ("RPS") in 225 CMR 14.00. The Bid Evaluation Report discusses Unitil's approach to compliance with the RPS regulations, as required by the Department's order in D.T.E. 02-40-B.

Unitil has complied with the Department's competitive bidding requirements by broadly disseminating its RFP electronically to each member of the NEPOOL Markets Committee as well as distributing its RFP to a list of parties who have expressed interest in Unitil's solicitations. From this outreach effort, Unitil received one set of bids for its medium and large C&I customers in response to the RFP. Unitil then evaluated and ranked the bids, and named the winning bidder.

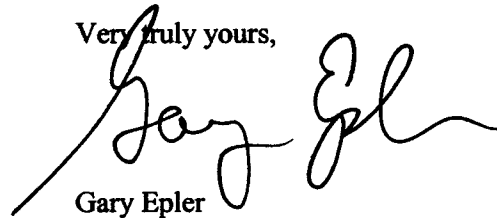
This filing has been made as part of D.T.E. 99-60, based on the Department's past practice. Pursuant to the within Motion for Protective Treatment, Unitil is filing

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with your office one confidential copy of the evaluative information relative to its solicitation (in particular Tab B of the filing).¹ All other recipients, with the exceptions noted, will receive redacted copies of the filing.

Please do not hesitate to contact me should you have any questions about this filing.

Very truly yours,

A handwritten signature in black ink, appearing to read "Gary Epler", with a long horizontal line extending from the left side.

Gary Epler
Senior Regulatory Counsel

Enclosure

cc: Jeanne Voveris, Esq., Hearing Officer
Kevin Brannelly, Director, Rates and Revenue Requirements
Ronald LeComte, Director, Electric Power Division
Barry Perlmutter, Electric Power Division
Alexander Cochis, Asst. Attorney General (2 confidential copies)
Robert Sydney, General Counsel, Division of Energy Resources (1 confidential copy)
David McKeehan, President, No. Central Mass. Chamber of Commerce
D.T.E. 99-60 Service List

¹ Unitil is also providing copies of the filing containing the confidential material to the Attorney General (2 copies) and the Division of Energy Resources (1 copy), with whom Unitil has entered into Nondisclosure Agreements for this proceeding.

**THE COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

Fitchburg Gas and Electric Light Company Default)
Service Tariff Filing M.D.T.E. No. 113 for)
September 1, 2004)

D.T.E. 99-60

**MOTION OF FITCHBURG GAS AND ELECTRIC
LIGHT COMPANY d/b/a UNITIL FOR PROTECTIVE TREATMENT**

I. INTRODUCTION

Fitchburg Gas and Electric Light Company d/b/a/ Unitil ("Unitil") hereby requests that the Department of Telecommunications and Energy ("Department") grant it protection from public disclosure, in accordance with G.L. c. 25, §5, for certain confidential, sensitive and proprietary information submitted in this proceeding. Simultaneously with this Motion, Unitil is submitting the results of its solicitation for Default Service supply and supporting documentation for service effective September 1, 2004 and rendered through November 30, 2004. Tab B to that filing contains competitively sensitive cost and procurement information. Unitil is also filing under separate cover its Revised Tariff to implement its new Default Service Rates, Attachment 1 of which contains the confidential wholesale prices bid in response to Unitil's Request for Proposals ("RFP"). The original and one copy of the confidential material (Tab B and Attachment 1) has been provided to Secretary Cottrell for filing, and confidential copies have been provided each to the Attorney General (2 copies) and the Division of Energy Resources ("DOER") (1 copy) under the terms of a pre-existing Non-Disclosure Agreement.

For the following reasons, Unitil requests that the confidential results of its Default Service RFP contained in Tab B and Attachment 1 be protected from public disclosure.

II. LEGAL STANDARD

The Department may protect from public disclosure confidential business information in accordance with G.L. c. § 5D, which states in part that:

[T]he [D]epartment may protect from public disclosure, trade secrets, confidential, competitively sensitive or other proprietary information provided in the course of proceedings conducted pursuant to this chapter. There shall be a presumption that the information for which such protection is sought is public information and the burden shall be upon the proponent of such protection to prove the need for such protection. Where such a need has been found to exist, the [D]epartment shall protect only so much of the information as is necessary to meet such need.

In interpreting the statute, the Department has held that:

[T]he burden on the company is to establish the need for protection of the information cited by the company. In determining the existence and extent of such need, the Department must consider the presumption in favor of disclosure and specific reasons why disclosure of the disputed information benefits the public interest.

Berkshire Gas Co., D.P.U. 93-187/188/189/190, p. 16 (1994).

The Department has previously granted protective treatment for sensitive market information, including price terms:

The Department will continue to accord protective status when the proponent carries its burden of proof by indicating the manner in which the price term is competitively sensitive.

Standard of Review for Electric Contracts, D.P.U. 96-39, at 2, Letter order (August 30, 1996). See also Colonial Gas Co., D.P.U. 96-18 at 4 (1996) (granting protective

treatment for pricing information including all “reservation fees or charges, demand charges, commodity charges and other pricing information”).

The Department has also recognized that competitively sensitive terms in a competitive market should be protected and that such protection is desirable as a matter of public policy:

The Department recognizes that the replacement gas purchases . . . [which] are being made in a substantially competitive market should allow LDC’s to obtain lower gas prices for the benefit of their ratepayers. Clearly the Department should ensure that its review process does not undermine the LDC’s efforts to negotiate low cost flexible supply contracts for their systems. The Department also recognizes that policy of affording contract confidentiality may add value to contracts and provide benefits to ultimate consumers of gas, the LDC’s ratepayers, and therefore may be desirable for policy reasons.

Berkshire Gas Co., D.P.U. 93-187/188/189/190, p. 20 (1994).

III. CONFIDENTIAL AND COMPETITIVELY SENSITIVE INFORMATION SHOULD BE PROTECTED FROM PUBLIC DISCLOSURE

Unitil seeks Department protection from public disclosure for: (1) the data in Tab B attached to Unitil’s Default Service supply solicitation filing, in particular, the identity of the suppliers and the pricing data, the economic analysis of the bids received (both price and non-price terms); and (2) the wholesale pricing information in Attachment 1 to the Revised Tariff filing. The final Default Service contracts contain Unitil’s assurances that Unitil would treat all bid and contract information (particular with regard to name and price) confidential. Throughout the bidding process, the suppliers also relied on Unitil’s commitment to maintain the confidentiality of the details of their individual bids.

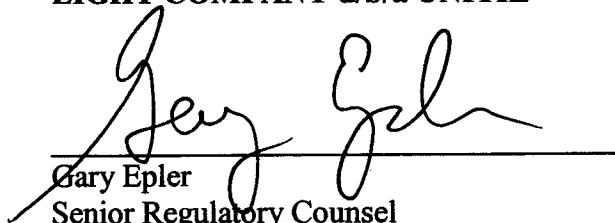
Moreover, although Unitil recognizes that over time, the identity of the suppliers and the pricing information may be disclosed, the harm to the participants in Unitil's RFP would be mitigated by maintaining the confidentiality of the data for as long as possible. Disclosure of the confidential supplier information would also be detrimental to the broader competitive market. The public disclosure of the pricing of Unitil's default service, if a delta from a competitive market were known, could jeopardize Unitil's competitive position and may inhibit the ability of Unitil to minimize the price paid for Default Service by its customers in the future.

Confidential treatment of the identity of the contracting party and the detailed pricing information is appropriate to protect the Company's credibility among suppliers. As the pool of prospective suppliers is small, it could be further reduced if the market perceives greater risk from participating in future Unitil RFPs due to confidentiality concerns. Therefore, the obligation to keep the information confidential is critical to preserve the robust nature of the ongoing auction process, and to ensure continued participation by the maximum number of interested suppliers. It will optimize Unitil's ability to receive the best possible contract terms for default for its customers.

WHEREFORE, for the reasons stated above, Unitil requests that the Department grant its motion to protect from public disclosure the confidential, competitively sensitive and proprietary information regarding default service supply.

Respectfully submitted,

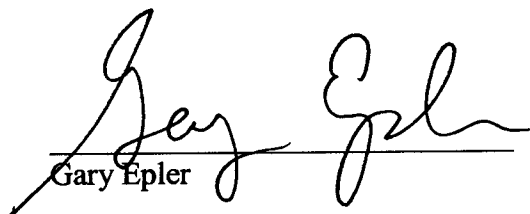
**FITCHBURG GAS AND ELECTRIC
LIGHT COMPANY d/b/a UNITIL**

A handwritten signature in black ink, appearing to read "Gary Epler", is written over a horizontal line.

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Certificate

I certify that copies of this Motion for Protective Treatment have been served this 21st day of July, 2004, via First Class U.S. Mail, upon each entity identified on the Department's service list for this proceeding.

A handwritten signature in black ink, appearing to read "Gary Epler", is written over a horizontal line.

Gary Epler

D.T.E. 99-60 - Fitchburg Gas and Electric Light Company d/b/a Unitil (“Unitil”)

Default Service Bid Evaluation Report

REDACTED VERSION

File Date: July 22, 2004

Fitchburg Gas and Electric Light Company d/b/a Unitil (“Unitil”)
Electric Default Service Bid Evaluation Report

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Fitchburg Gas and Electric Light Company d/b/a Unitil (“Unitil”) Electric Default Service Bid Evaluation Report

Introduction

On Monday, June 21, 2004, Unitil announced that its Request for Proposals (“RFP”) for large customer default service for the period beginning September 1, 2004 was available. The RFP sought bids for 100 percent of default service requirements for Unitil’s Large Customer Group for the period of September 1, 2004 through November 30, 2004. The RFP sought bids that did not include Renewable Energy Certificates (“RECs”) for compliance with Renewable Portfolio Standards (“RPS”); rather Unitil intends to procure the RECs required for RPS compliance independent of its default service procurements.

This bid evaluation report describes Unitil’s solicitation process, its selection of the winning bidder, and the manner in which Unitil intends to comply with the RPS obligations associated with its default service loads. Locational ICAP was not a significant concern given the Federal Energy Regulatory Commission’s June 2, 2004 decision to defer implementation of a LICAP market in New England until January 1, 2006. A copy of the RFP is attached as Tab A. Unitil’s comparison of bids, which is confidential and for which Unitil seeks protective treatment as described in the cover letter and motion for protective treatment accompanying this filing, is attached as Tab B. Broker sheets which report on the current market for Massachusetts Renewable Energy Certificates (“Mass RECs”) are attached as Tab C.

Solicitation Process

Unitil accomplished market notification of the RFP by announcing the availability of the RFP electronically to all participants in NEPOOL, in particular, to the members of the

NEPOOL Markets Committee on Monday, June 21, 2004. In addition, Unitil distributed the RFP to a list of energy companies who have previously expressed interest in receiving copies of Unitil's solicitations. The RFP package was ultimately disseminated electronically to 43 individuals representing 27 separate energy companies, which count does not include other distribution companies, consultants (unless working on behalf of a named client who might participate), brokers or members of public agencies. A copy of the RFP and its attachments is attached as Tab A. In accordance with the Department's rules established in DTE 02-40-C with regard to procurement schedules, the RFP sought fixed monthly pricing for 100% of the service requirements of Unitil's Medium and Large C&I customers ("Large Customer Group")¹ for the period September 1, 2004 through November 30, 2004.

The RFP described the particulars of Unitil's default service, the related customer-switching rules, and the form of power service sought. In order to gain the greatest level of market interest in supplying the load, Unitil endeavored to provide potential bidders with appropriate and accessible information as well as flexibility with regard to contracting options. Along with the RFP, Unitil provided potential bidders with historic hourly loads for Unitil's Large Customer Group Default Service from January 1, 2002 through June 17, 2004. This hourly load data was updated on July 2, 2004, for data through June 30, 2004. Unitil also compiled into an Excel spreadsheet its historic DOER 110 reports from January 2000 through May 2004. The DOER 110 report details by customer rate class the number of customers and monthly retail billed kWh sales delivered to customers receiving SOS, default service and competitive generation supply. In order to communicate to bidders the relative concentration of the Large Customer Group, Unitil provided a listing of its 25 largest customers, labeled generically, showing each customer's annual peak and energy requirements, their approximate monthly meter read date and their current source power supply (SOS, default service or competitive

¹ On October 1, 2003, FG&E received acknowledgement from the Department that continued use of its two customer groups, as originally approved by the Department on September 1, 2000 pursuant to DTE 99-60-B, was in compliance with the directives of DTE 02-40-C.

generation). Unitil also provided information instructing potential bidders in accessing class average load shape (8760 hours) data on Unitil's website. Unitil provided estimated monthly loads for the Large Customer Group default service over the term of the period for which service was sought. Unitil used these estimated monthly loads to evaluate and weight competing bids for each customer group in terms of price. In order to provide potential bidders with contracting flexibility, Unitil included a proposed Default Service Power Contract, along with a proposed EEI Master Agreement Cover Sheet and Transaction Confirmation Letter along with the RFP. Finally, Unitil included a copy of its Default Service tariff, effective as of the date of the solicitation. Throughout the solicitation, Unitil responded to bidder questions and actively participated in maintaining bidder interest in the solicitation through regular telephonic and electronic communications.

On Thursday, July 8, 2004, Unitil received proposals from several different bidders that included detailed background information on the bidding entity, initial pricing and proposed contractual terms. Unitil then proceeded to review the proposals and work with the bidders to establish and evaluate their creditworthiness, their extension of adequate credit to Unitil to facilitate the transaction, their capability of performing the terms of the default service RFP in a reliable manner, and their willingness to enter into contract terms acceptable to Unitil. All bidders were invited to submit final bids.

On Friday July 16, 2004, Unitil received final pricing from all bidders who participated in the indicative round and conducted its evaluation. Unitil selected its winning bidder and all other bidders were notified that they were not selected.

Selection of Winning Bidder

Unitil based its selection of a winning bidder on both quantitative and qualitative criteria. As mentioned, the RFP requested fixed prices by month for Unitil's Large Customer

Group, comprised of medium and large C&I customers. The bidders had the option of bidding differentiated pricing for each month of the three-month periods during which service was sought.

When the indicative bids were received, Unitil compared the proposed pricing strips by calculating weighted average prices for the period during which service was sought, using the evaluation loads that were issued to bidders along with the RFP. Unitil coordinated with bidders to identify contractual and credit issues and to establish confidence in each bidder's ability to perform. When final bids were received, Unitil compiled the weighted average pricing strips, again using the evaluation loads that were issued to bidders along with the RFP. Unitil then evaluated the price and non-price aspects of the final bids received and awarded its default service loads for each customer group and service period sought. The pricing comparison, which is confidential, is attached as Tab B.

Compliance with Renewable Portfolio Standards ("RPS")

Consistent with its recent practices, Unitil did not request that interested suppliers include along with their Default Service bids the provision of Renewable Energy Certificates ("RECs") that would comply with the Massachusetts Renewable Energy Portfolio Standards ("RPS") that became effective on January 1, 2003. Unitil recognizes its obligation as the retail supplier of Default Service to its customers to provide RECs in compliance with 225 CMR 14.00. Unitil intends to purchase qualifying RECs directly from the market or under a process that is separate from its Default Service solicitations. In compliance with DTE 02-40-B, a discussion of Unitil's approach to meeting its RPS obligations follows.

A number of factors come into play with regard to Unitil's current approach to RECs compliance for its Default Service loads. Unitil believes that the market for

Massachusetts qualifying RECs is currently illiquid, and that by the time Unitil is required to demonstrate compliance opportunities may arise to purchase RECs either from facilities that are not currently registered as qualifying Massachusetts new renewable facilities or from entities who come to have excess RECs after meeting their obligations. Unitil also expects that it may be able to receive more favorable RECs pricing if the periods for which RECs are sought are flexible. Unitil's ability as a load serving entity to bank RECs in its New England Generation Information System ("NE-GIS") account is expected to allow Unitil to utilize the RECs it acquires efficiently, rather than requiring pricing based on a specific delivery period. Whereas Unitil is also responsible for providing RPS compliance of its Standard Offer Service ("SOS") loads, Unitil expects that combining the volumes of service under its SOS and its two Default Service customer groups would yield better pricing opportunities in the market.

Unitil considers that interested bidders in its Default Service solicitations are not necessarily the parties that hold title to RECs. Similarly, it is likely that some holders of RECs do not have the bulk power supply presence to compete for and win a Default Service solicitation. Meanwhile, nothing would prohibit a bulk power supplier from participating in a RECs only solicitation or brokered transaction. While there are secondary markets for RECs, they are not very liquid. Unitil prefers to go to these markets directly rather than risk incurring mark ups which might accompany bids from Default Service suppliers who are simply remarketing the RECs.

Unitil believes it will be administratively more efficient to purchase and deliver RECs to its New England Generation Information System ("NE-GIS") account independent of its Default Service procurement schedule since it expects to have nine different Default Service suppliers each year.² Additionally, since Unitil's Default Service schedule does

² The nine Default Service suppliers would be the suppliers of Default Service as follows: (1) Large Customer Group from Jan-Feb, (2) Large Customer Group from Mar-May, (3) Large Customer Group from Jun-Aug, (4) Large Customer Group from Sep-Nov, (5) Large Customer Group for Dec, (6) 50% Small Customer Group for Jan-May, (7) 50% Small Customer Group for Jan-Nov, (8) 50% Small Customer Group for Jun-Dec, (9) 50% Small Customer Group for Dec.

not fall on a quarterly basis, as does the schedule for demonstrating RPS compliance, additional administrative requirements result.

Unitil's approach with regard to establishing the cost of RPS compliance in its current retail rates for Default Service, as described in a filing under separate cover today, is to assume an estimated cost of compliance. Unitil's expected cost of RPS compliance is \$49 per REC. In establishing this value, Unitil recognizes that the 2004 Alternative Compliance Price ("ACP") for RPS is \$51.41 per REC. The \$49 estimate reflects Unitil's most recent purchase of 2004 RECs as well as the most recent trades of 2004 RECs as reflected on broker sheets by two separate brokers of Massachusetts RECs. One broker sheet, dated July 16, 2004, indicates a standing bid of \$47 and a standing offer of \$50, with the last transaction having been \$49; the other, dated July 12, 2004, indicates a standing bid of \$45 and a standing offer of \$50, with the last transaction having been \$48.08. The broker sheets are attached as Tab C.